

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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BOSTON GAS COMPANY D/B/A  
KEYSPAN ENERGY DELIVERY  
NEW ENGLAND

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D.T.E. 03-40

REPLY BRIEF OF  
MASSACHUSETTS DEVELOPMENT  
FINANCE AGENCY

I. INTRODUCTION

The Massachusetts Development Finance Agency (“MDFA”) hereby submits its Reply Brief in the above matter. For the reasons stated in its Initial Brief and in this Reply Brief, the MDFA urges the Department of Telecommunications and Energy (“Department” or “DTE”) to reject Boston Gas Company’s d/b/a Keyspan Energy Delivery New England (“Boston Gas” or the “Company”) proposed rate redesign for the G-44 class. The MDFA also urges the Department to require the Company to impose a cap on rate increases for non-residential customers in the G-44 class. Without a price cap, customers such as the MDFA will experience rate shock as a result of the Company’s implementation of its proposed rate redesign.

II. THE COMPANY HAS NOT DEMONSTRATED THAT THE PROPOSED RATE REDESIGN FOR THE G-44 CLASS COMPORTS WITH DEPARTMENT RATE DESIGN PRINCIPLES

The Company’s proposed price cap, which is applicable only to residential customers, is not sufficient to satisfy the Department’s rate design principles of fairness and rate continuity.

The Company admits that non-residential customers, such as the MDFA, would experience rate shock as a result of the implementation of its proposed redesign. Tr. 3 at 355. As the MDFA pointed out in its Initial Brief, if the Company's proposed rates are approved, all 380 G-44 customers would experience a greater than 10% increase on a total bill basis. Exh. MDFA 1-8; Tr. 3, at 308-309. In fact, the range of annual bill impacts for G-44 customers would be between 14.6% and 50.2%. Exh. MDFA 1-5. Peak period increases for G-44 customers would range from 14.6% to 36.9% and off-peak period bill impacts for G-44 customers would range from 14.6% to a staggering 134.9%. Exh. MDFA 1-5. The MDFA, the Company's 13<sup>th</sup> largest customer (RR-MDFA-1), could expect to see total bill increases of 46.1% annually, 25.9% in the peak period, and 157.9% in the off-peak period. Exh. MDFA 3-6 (revised); Tr. 3, at 314. The Company's witness concedes that customers should not experience rate increases greater than 10% on their total bills, and that the proposed rate increase for the MDFA would constitute "rate shock." Tr. 3, at 299, 355.

The Company, however, attempts to justify higher rate increases for certain non-residential customers based on their load factors. See Initial Brief of Boston Gas, at p. 159, n. 70. Specifically, the Company claims that for certain customers with low load factors, the rate increase might be more than other customers with higher load factors and in those cases, the higher rate increases are consistent with rate design principles of cost causation and rate fairness. See id. However, the Company's explanation is flawed because that is not the case for the G-44 class and for the MDFA, specifically. In contravention to the Company's broad assertion, the

MDFA would experience a dramatic rate increase even though it has a relatively high load factor.<sup>1</sup> The load factor for the MDFA at Devens is 27% but the MDFA would realize a minimum increase of 25.9% (peak) and increases as high as 157.9% (off-peak) in its bills. Exhs. RR-MDFA-2; MDFA 3-6 (revised); Tr. 3, at 314. Similarly, the load factor for the G-44 class is 23%, and on average, the G-44 class would experience rate increases in the range of 14.6% to 134.9%. See id. In that situation, the Company's proposed rate redesign plainly does not achieve the Department's goals of cost causation and rate fairness.

The Company stated that it would agree to impose a rate cap for other classes of customers if the Department believes that such cap appropriately balances the goals of rate continuity and fairness. Because those goals are not served in this case, the MDFA urges the Department to direct Boston Gas to limit rate increases, both on a per class and per customer basis and require Boston Gas to limit the rate impact on all customers to no more than 10%.

Finally, the MDFA notes that the Company's reason for implementing a single step volumetric charge – because it is simpler for customers to understand – is insufficient to justify the modification to the current rate design. See Initial Brief of Boston Gas at 160. As the MDFA pointed out in its Initial Brief, the Company has not demonstrated any customer confusion here. Exhs. DTE 3-7, DTE 10-19; Tr. 3, at 347. Nor has the Company addressed the cost feasibility of installing demand meters. Therefore, the MDFA submits that the record does not establish that the circumstances warrant such a complete and drastic redesign of rate G-44. Accordingly, the MDFA urges the Department to reject the Company's proposed rate redesign for the G-44 class.

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<sup>1</sup> The Company concedes that the rate impact is greater in the MDFA's case as one of the largest customers in the G-44 class. Tr. 3 at 324-25. The Company's witness testified that under the G-44 rate, an improvement in the MDFA's load factor would result in a greater rate impact because of the differential between peak and off-peak rates. Tr. 3 at 323.

### III. CONCLUSION

WHEREFORE, the Massachusetts Development Finance Agency respectfully requests that the Department deny Boston Gas' requested rate design and grant the relief requested herein and as requested in its Initial Brief.

Respectfully submitted,

MASSACHUSETTS DEVELOPMENT  
FINANCE AGENCY

By its attorneys,

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Kenneth M. Barna  
Rubin and Rudman LLP  
50 Rowes Wharf  
Boston, MA 02110  
(617) 330-7000

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Richard X. Connors, Esq.  
43 Buena Vista Street  
Devens, MA 01432

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